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Support Project Initiation Memorandum (for Non-Scheduled Intelligence Production)		Type B	Control Number ARM 200-1771
10: Production Control Staff			
2. Title or Subject (31) Line 1 Nigeria in the North/South Line 2 Dialogue Line 3 Line 4 Line 5		3. Analyst(s) & Other Contributors (31) Line 1 Janice [REDACTED] Line 2 Manhours: 100 Completion Date (y m d) 78/6/1	
4. Request and Purpose (39) Line 1 [REDACTED] Line 2 [REDACTED] Line 3 Department of State Line 4 for use in interagency study of Nigeria Line 5 Line 6		Classification (39) Secret	
5. Precedence (39) Line 1 Delineates Nigeria's position in North/ Line 2 South dialogue. Explains political and Line 3 economic rationale and projects likely Line 4 future patterns. Line 5 Line 6 Line 7 Line 8			
APPROVAL:			
Branch (if less than 10 manhours) [REDACTED]		Date 1 June 1978	
Division (if 10 manhours or greater) [REDACTED]		Date 1 June 1978	
Director (for special requests)		Date	

Note: Numbers in parentheses indicate the maximum number of characters and blanks to be inserted in a line—i.e., (16) means no more than 16 spaces.

APPROVED FOR RELEASE

14 FEB 2000

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Department of State

Classified by [redacted]
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Support Project Initiation Memorandum (for Non-Scheduled Intelligence Production)		Type B	Control Number 8810 27- 1001
TO: Production Control Staff			
1.5(c) 1.6(d)(1)	2. Title or Subject (31) Line 1 Nigeria in the North/South Line 2 Dialogue Line 3 Line 4 Line 5		3. Analyst(s) & Other Contributors (31) Line 1 Janice [redacted] Line 2 Manhours: 100 Completion Date (y m d) 78/6/1
	4. Requester and Purpose (39) Line 1 [redacted] Line 2 [redacted] Line 3 Department of State Line 4 for use in interagency study of Nigeria Line 5 Line 6		Classification (39) Secret
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	APPROVAL:		
	Branch (if less than 10 manhours) [redacted]		Date 1 June 1978
Division (if 10 manhours or greater) [redacted]		Date 1 June 1978	
Director (for special requesters)		Date	

1.5(c)
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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

MEMORANDUM FOR: [REDACTED]

Department of State

SUBJECT : Nigeria in the North-South Dialogue

1. Attached hereto is the paper on Nigeria in the North-South Dialogue that you requested in late May. We are simultaneously sending a copy of this paper to Mr. Parmenter for use in the interagency study.

2. The pace at which this material had to be put together precluded measured coordination with all interested parties. [REDACTED] of our Near East/Africa Branch has seen it and given it his tentative blessing). Accordingly, we expect to make minor additions and changes in our draft over the next week for use in another production context. If you would like a later edition, please let us know.

3. Should you have questions on the narrower North-South aspects of this piece, please feel free to contact [REDACTED] or me on [REDACTED]. Comments on broader political or economic issues can also be channeled to us, but we will have to defer to other components in any final judgment.

[REDACTED]

/Chief

Economic Development Branch
Developing Nations Division
Office of Economic Research

Attachment:
As stated

Distribution:

- Orig - Addressee
- 1 - Mr. Palmenter
- 1 - D/OER, DD/OER, LO/OER
- 1 - Ch/D/D
- 1 - [REDACTED]
- 1 - [REDACTED]
- 1 - [REDACTED]
- 1 - [REDACTED]

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3 Nov-78

(2 June 78)

Classified by [REDACTED]
Exempt from automatic
downgrading and declassification
exemption category 5A(1) (2) (3)
Automatic declassification
Date Indefinite to Determine

Nigeria in the North-South Dialogue

For Nigeria, North-South meetings are only one of several scenes in which to play out a self-appointed role as Black Africa's premier power and economic spokesman. This mission, prospects for which were considerably enhanced by oil gains and rapid growth during 1975-76, is based primarily on the overwhelming size of its economy (compared to others in the region) and the sense of national destiny that emerged from strong historic traditions and the crucible of a painful civil war. More comfortable with Western economic and social customs than many of its neighbors, Nigeria can nonetheless be stirred to stern positions over the question of excising white supremacy in southern Africa.

Nigerian leaders have generally seen the North-South dialogue as the basis for providing their bona fides for leadership of the African states in other settings. Although they do not stand to gain very much from the specific proposals of the G-77 on key issues, they lend relatively uncritical support to the overall program for a New International Economic Order (NIEO). The North-South meetings themselves do not engage their

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very best foreign service personnel, but the Nigerian delegations are typically loyal and sturdy in championing African causes in caucuses.

The point does not elude their neighbors that Nigeria can and does make peace with the Western business world, too. As it has become increasingly obvious that the Nigerians were neither equipped nor disposed to struggle on some narrow native road to development with their oil windfall, both Western firms and other African neighbors have acclimated to the notion that foreign investment and other business laws would be interpreted in ways that assured growth momentum. Most recently, slowdowns in oil production and exports have sent the Nigerians to the Eurocurrency markets for loans that assure continuation of an adaptable -- if proud -- approach to international economic relations. These ties with the West -- likely to grow steadily -- are the basis for increasing Nigerian insistence on constructive exchanges and aversion to rhetoric in North-South meetings. Nonetheless, there is scant prospect that Nigeria will ever take the lead in formulating or introducing compromises with the developed countries because this would be costly in terms of both group and regional politics.

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The mix of Nigerian attitudes toward the developed world is a continuation of policies implemented immediately following independence. In the 1960s, the civilian government's international relations were characterized by nonalignment tempered by concern for established economic ties. Even in this period, then, the reliance on Western aid and the preponderance of trade with the West were the flesh on the bones of foreign policy. Certain policy decisions taken at the time, however, such as breaking of diplomatic relations with France over nuclear testing in the Sahara and diplomatic recognition of the USSR, attested to Nigeria's political independence. Under the succeeding military governments, there has been, if anything, less lip service to the notion of evenhanded dealing with East and West. Nevertheless, crucial differences over the speed with which progress has been achieved for black majority rule in southern Africa and a basic distrust of Western motives in dealing with Third World countries have kept the Nigerians skeptical and aloof toward the developed countries.

Stances on Key Issues

With the bulk of LDCs, Nigeria has moderated its stance from confrontation to negotiation within the framework of the North/South dialogue. However, it is still a very strong advocate of changes in the international economic order to benefit the LDCs. In most

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instances, its delegations support G-77 positions without significant modification on interpretation.

- ° Nigeria unequivocally supports the G-77 concept of a Common Fund. It views the "second window" as the most important facet of the fund and would favor using this mechanism to finance resource transfers to the LDCs -- including the underwriting of export diversification, the processing of raw materials, and the strengthening of research and development capabilities. Lagos believes that direct government contributions should be the major source of funds. It also favors a greater role for the LDCs in managing the Fund than would emerge from their respective shares of contributions.
- ° Nigeria supports immediate debt relief for the LLDCs, the landlocked countries, and those classified as most seriously affected (MSAs) despite its own small accumulated debt. While concerned to maintain its good credit rating in the commercial markets, the government views debt relief for the poorer

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African countries as an important means to increase aid flows.

- ° Nigeria supports the concept of commodity agreements as a way of protecting the purchasing power of developing countries' earnings from commodity exports. It exports four of the 18 commodities currently included in the UNCTAD's Integrated Program for Commodities -- cocoa, palm oil, rubber, and tin. Among these, only cocoa is a substantial export earner at present.
- ° Nigeria actively supports increased foreign aid for itself and other developing countries, both bilaterally and multilaterally. It is especially adamant that developed countries achieve the 0.7 percent of GNP guideline for ODA. Interestingly, the Nigerians have been criticized by some African LDCs for not being more forthcoming with their own economic aid.
- ° Nigeria is currently going through a period of re-evaluation of its attitude toward foreign investment but probably will not make profound changes in current laws. It does support G-77 proposals to strengthen

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a country's bargaining position vis-a-vis foreign firms and attempts to use investment policy as a club on Western commercial ties to Rhodesia and South Africa. The Lagos government is a strong critic of what it terms exploitation of developing countries by the multinationals, requiring that foreigners participate on a partnership basis. A joint venture law requiring 60 percent Nigerian ownership is enforced selectively.

- ° Nigeria actively seeks increased and less costly technology transfer to the Third World but prefers to secure its own technical assistance on a bilateral basis rather than through some internationally-supervised technology clearinghouse. Priority fields for the acquisition of technology from abroad include petroleum and food processing, distribution facilities and the development of heavy industry.
- ° Nigeria is a leading moderate among LDCs in the Law of the Sea negotiations. It is principally interested in securing jurisdictional rights to a proposed exclusive

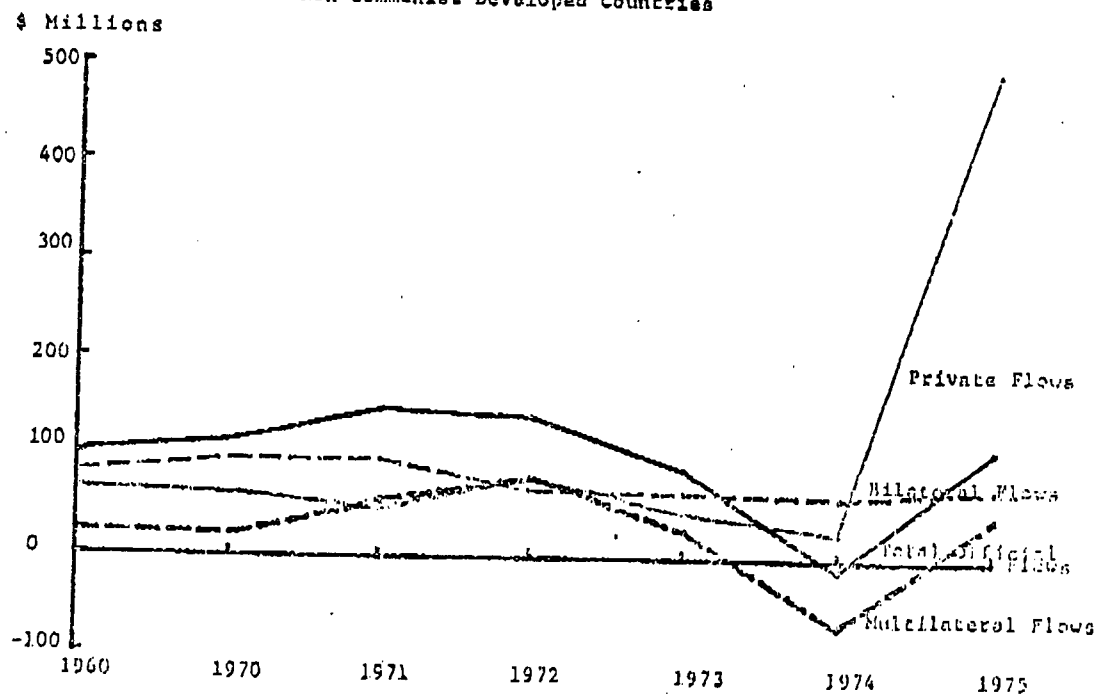
- economic zone. Subject to bilateral agreement, Nigeria would guarantee landlocked and geographically disadvantaged states access to the sea and living resources of the coastal zones of neighboring states. Nigeria supports easier LDC acquisition of technology to exploit seabed resources but is among the more constructive in seeking practical means of implementation.
- ° Nigeria is particularly displeased to be excluded from the Generalized System of Preferences (GSP) because of its OPEC membership. Like Indonesia, Venezuela, and Ecuador, it considers this treatment unfair because it did not participate in the 1973 oil embargo.
 - ° Nigeria supports G-77 demands for voting rights within international financial institutions -- particularly the IMF and IBRD -- whereby the LDCs would get greater representation and weight in decisionmaking. (A recent IMF quota review, which took into consideration the growing economic power of the OPEC states, eventuated in a doubling

of Nigeria's weighted vote to reach about 1 percent of the total.) Interestingly, the Nigerians -- like many other Third World nations -- eschew weighting and argue for a one-nation, one-vote rule for new organizations, such as the proposed International Seabed Authority, because this would assure G-77 dominance.

Selected Nigerian Economic Indicators

GNP per capita, 1977	\$490
GNP real annual growth, 1960-70	5.4%
1970-77	7.1%
GNP real growth, 1975 est.	1.0-2.0%
Agriculture's share of GNP, 1977	about 25%
Annual growth in export value, 1960-72	12.4%
1972-77	31.7%
Key exports and share of total, 1976	
Petroleum	93%
Cocoa	4%
Manufactures' share of exports, 1976	3%
Total foreign debt, yearend 1977 est.	\$1.3 Billion
Private debt's share of total foreign debt, yearend 1977 (est.)	32%

Net Resource Flows from
Non-Communist Developed Countries



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Economic Considerations

Nigerian economic development, ongoing since independence in 1960, accelerated rapidly after the 1973/74 oil boom. Led by petroleum sector development and continuing good performance in agriculture, real economic growth averaged a moderate 5 percent during the early 1960s. Temporary disruptions caused by tensions prior to and in the early stages of the Biafran War (1967-71) caused economic growth to decline during 1966-68 by an average 8 percent. Nevertheless, the economy was on the mend even before the war ended, and the lost ground had been recovered by 1970. Nigeria's present GNP -- well over \$40 billion -- unwrites a per capita income of nearly \$500. Consequently, though backward by OPEC standards, the country ranks among the middle-income developing countries.

With the fourfold increase in oil prices in 1973/74, the Nigerian government embarked on a massive development plan emphasizing infrastructure, education, and industrialization. Good performance was achieved in the construction, manufacturing, and government services sectors. Real GNP growth in the first three years, though below planned levels, averaged a respectable 7.5 percent.

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Although Nigeria has progressed reasonably well, the broad economic trends have masked several serious underlying problems.

- ° Agricultural production is not keeping pace with population growth on the average of 2.5 percent. Higher wages in urban areas attract young farmers to the cities while transportation and storage bottle-necks discourage production by the older ones left behind. Once self-sufficient in foods, Nigeria is fast becoming a major importer. Traditional export crops, including palm oil and peanuts, no longer provide surpluses for overseas sales.
- ° Despite the plan's major theme of infrastructure development, port congestion in Lagos is the worst of any OPEC country. At one point, more than 400 ships carrying over three million tons of cargo faced berthing delays in excess of a year. The situation has been eased somewhat by new unloading facilities, but storage is still lacking.
- ° The combined rapid rise in government spending, domestic food shortages, and the delays caused by port congestion contribute to annual domestic inflation on the order of 35 percent.

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- ° Despite bright economic prospects for the longer term, Nigeria is not eliciting especially strong responses from the domestic or foreign private business sectors. Inflation and high start-up costs have been a drag on the domestic investment Lagos hoped would underwrite about one-third of planned development. Foreign investors were put off by the indigenization program which initially called for at least 40 percent Nigerian ownership of all businesses. Moreover, an expatriate quota system has strictly limited the number of non-Nigerians permitted in each occupation and caused shortages of skilled labor in some vital areas.
- ° Oil output has not expanded as planned. Output ceilings and profit disincentives to the oil companies caused a drop in capacity and exploration activity. Moreover, a depressed oil market brought on by flagging global growth, high stock levels in consuming countries, and the advent of North Sea, Alaskan, and Mexican production have held down even feasible production increases. This situation is made more serious by the fact that oil makes up 93 percent of export earnings, 35 percent of GDP, and 80 percent of government revenues.

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On an entirely different scale is the range of socio-economic problems that have grown out of a spectacular rate of urbanization. Cities and towns with more than 10,000 people -- which now take up about a quarter of the total population -- have grown at an average 6.5 percent annually since 1950. Lagos, in particular has a population of 1.4 million with a density of over 1,000 per square mile. In Lagos and other big cities, attendant problems of high urban unemployment and underemployment, overcrowded transportation facilities, exorbitant rents, and traffic congestion rank with the worst in the Third World. The prospect for rapid improvement in these conditions is dimmed by a national literacy rate of about 25 percent and tribal traditions that discourage continued factionalism.

The resultant social and political stresses are intensified by rapid accumulations of wealth in the hands of a relatively few businessmen and the government elite. Although the government has made some strides in using petroleum revenues for social betterment, the average Nigerian still feels that he has benefited little from oil wealth. Urban dwellers grumble over inflation, corruption, and poor living conditions, while low ranking military personnel resent the perquisites of the military elite.

Unfortunately, recent events augur a rate of economic progress that precludes any prompt improvements in the welfare of the poorer group. Failure to achieve a respectable expansion of oil export

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earnings and continuing rises in imports of goods and services
services finally culminated with the balance of payments
being in the red in 1977, the first time since the oil price
increases. Because foreign capital inflows were insufficient
to offset a large current account deficit, Lagos was forced
to enter the Eurocurrency market to the tune of \$1 billion to
maintain acceptable levels of foreign exchange reserves.

The outlook at least over the next two years, is for
continuing inflation, very slow growth, and further deterioration
in the balance of payments. Import demand will rise, while
exports continue to luge because of increasing diversion of oil
to the domestic economy and the slow pace of diversification.
Indeed, Nigeria can be expected to re-enter the Eurocurrency
market for an additional \$3 billion in the next three years.

Political Considerations

Nigeria's stance on North-South issues reflects perceptions that it must champion the cause of its African neighbors and that, because of the lack of reliability of great power motives, it should maintain a nominally nonaligned foreign policy. As growing oil revenues open the prospect of greater economic strength, successive governments have become increasingly independent and assertive in the international realm. Nevertheless, the importance of economic ties with the West has precluded any serious drift toward the Communist countries. Membership in the British Commonwealth is still a comfortable part of foreign policy. On balance, the government senses a potential affinity for the US. None of this, however, has altered a skepticism over the prospects for major Western economic concessions to the Third World or concern for the implications of vested Western economic interests in southern Africa.

Much of Nigeria's effort in the nonaligned movement has been directed toward achieving economic and political gains for the rest of Africa. Unrivalled resources -- larger population, economy, and military establishment -- convince Nigeria that it is destined for continental leadership. Since 1975 Nigeria has played an influential role in the development of, and the direction taken by, the African unity movements. Along these lines, the government has contributed limited military support

and unlimited moral support to various African independence movements. Its top priority is the attainment -- peacefully, if at all possible -- of black majority rule in southern Africa. To this end, it is willing to mediate regional disputes in order to keep factionalism from weakening the struggle for black majority rule and to restrain foreign intervention.

In rough parallel to the Venezuelans, the Nigerian leadership sees itself as having an important coordinating role in regional economics and a contribution to make to the development of its neighbors. The Nigerian governments have worked for coordinated development of West Africa and were instrumental in setting up the Economic Community for West African States (ECOWS). Their standing in ECOWAS has been undercut, however, by the relatively small amount of economic aid Lagos has been willing to provide. Nigeria has also been unwilling to intercede with other OPEC countries to sell oil to West Africa at concessionary prices. Moreover, Nigeria has repeatedly refused to lower the prices of its oil exports to these countries.

African attitudes toward Nigeria's leadership aspirations are ambivalent, at best. African states place high value on their individual sovereignty and will not allow Nigeria to be their spokesman on issues of direct concern to them. The countries in close proximity to Nigeria fear being

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dominated by their giant neighbor. Many countries resent the perceived good economic relations between Nigeria and the West, particularly the US. None of the African countries, however, disputes Nigeria's "right" to carry the economic and military burden in the southern African struggle.

The stability of Nigeria's international relations is, of course, dependent in some degree on aspects of domestic politics and the continuation of the policies of the military government. Some turbulence is inevitable when political campaigning is again permitted this October in anticipation of a return to civilian rule by late 1979. Differences in living standards and longstanding ethnic tensions provide a base for turmoil in that setting that could lead to another military coup. The principal foreign targets of any reconstituted government would likely be Western attitudes toward majority rule in southern Africa, with a deterioration in US relations likely if present initiatives fell apart.

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Outlook

Given a viable alternative, Nigeria would probably like to lessen its economic dependence on the West, if for no other reason than to enhance its image with its poorer neighbors and the more socialist-leaning countries in the Third World. Economic realities outweigh most other considerations, however. The developed countries will remain Nigeria's chief export market and supplier of imports, and dependence on international capital markets will grow. Prospects of stronger economic ties with the Third World offer few benefits since these countries have little that Nigeria needs and are mainly interested in obtaining oil on concessional terms. Economic relations with the Soviet bloc are not particularly attractive, although Nigeria does secure certain sophisticated weapons from the USSR, in part to keep open a plausible alternative.

Despite the prospect for continuing strong economic ties, Nigeria will continue to be at odds with the West on the political front. There is no reason to expect Nigeria to cease giving verbal and moral support for G-77 demands or to change its stances on key issues. Lagos will continue to feel a responsibility to champion the causes of other LDCs. More important than the North-South dialogue in the future of Nigerian international

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relations will be the outcome of the southern Africa conflict. A prolonged failure to resolve the situations in Rhodesia and South Africa in favor of the blacks would almost inevitably encourage confrontational behavior in international fora and within the region itself.

There is nothing on the horizon in domestic politics to suggest that the elements of this dichotomy will change much in the years immediately ahead. While there are factions that might press for some income redistribution within Nigeria, nothing in their positions points to a fundamental wrench in economic relations with the West. At the same time, there is no plausible combination of domestic events that would elevate any part of the North-South dialogue to a greater role in Nigerian foreign affairs than regional leadership in Black Africa.